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E.O. 11652: GDS
TAGS: PINT PFOR EG
SUBJ: QUARTERLY POLITICAL ASSESSMENT: OCTOBER 1 - DECEMBER 31, 1976

REF: 76 CAIRO 13436

SUMMARY. GOE CLOSELY FOLLOWED US ELECTIONS AND REACTED BY

(A) ADOPTING STRICTLY CORRECT AND POSITIVE POSTURE TOWARD NEW ADMINISTRATION AND (B) LAUNCHING "PEACE OFFENSIVE" TO EMPHASIZE "SINCERITY" OF EGYPTIAN DESIRE FOR PEACE AND URGENCY OF GETTING PARTIES TO GENEVA. GOE WAS PARTICULARLY DISTURBED DURING QUARTER BY US VOTE AGAINST ITS UNGA RESOLUTION ON RECONVENING MEPC BY MARCH, ANNOUNCEMENTS THAT ISRAEL WOULD RECEIVE NEW SOPHISTICATED US AIRCRAFT AND BOMBS, AND WHAT IT CONSIDERED US UNWILLINGNESS TO GIVE EGYPT STRENUOUS BACKING IN GULF OF SUEZ OIL DRILLING DISPUTE WITH ISRAEL. NEW AID AGREEMENTS TOOK SOME STING OUT OF GOE'S BITE. RELATIONS WITH SOVIETS SHOWED LITTLE IMPROVEMENT DESPITE BEST EFFORTS OF FONMIN FAHMY. SOVIETS APPEAR UNCONVINCED THAT SADAT INTENDS TO DISMINISH RELIANCE ON US AND ARE APPARENTLY DEMANDING INTER ALIA END TO PROPAGANDA AND SUBSTANTIAL DEBT REPAYMENTS AS PRICE FOR "NORMALIZATION" THAT WOULD INCLUDE RESUMPTION OF SIGNIFICANT DELIVERIES OF MILITARY SPARE PARTS AND EQUIPMENT.

GOE EMERGED AT END OF YEAR AS UNDISPUTED LEADER OF ARABS IN SEARCH FOR PEACEFUL SETTLEMENT. IN EXCHANGE, GOE, WITH SAUDI URGING, ACQUIESCED IN SYRIA ESTABLISHING ITS HEGEMONY OVER LEBANON. ASAD'S VISIT TO CAIRO FOLLOWING MINI- AND FULL SUMMIT MEETINGS CONSOLIDATED NEW SOLIDARITY OF PRINCIPAL CONFRONTATION STATES AND THEIR CHIEF BACKER, SAUDI ARABIA. SOME MUTUAL EGYPTIAN-SYRIAN SUSPICIONS REMAIN, PARTICULARLY OVER PLO, AND UNION IS FAR AWAY, BUT RAPPROACHMENT IS CLEARLY MAJOR AREA EVENT OF THE QUARTER. RELATIONS WITH WEST EUROPEANS, ESPECIALLY FRENCH, CONTINUED EXCELLENT AND AS PART OF "PEACE OFFENSIVE" GOE IS URGING THEM TO PLAY MORE ACTIVE ROLE IN SEARCH FOR ME PEACE.

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POLITICAL LIBERALIZATION AT HOME MADE MAJOR GAINS WITH PRESIDENTIAL REFERENDUM, PEOPLES ASSEMBLY ELECTIONS, AND ESTABLISHMENT OF POLITICAL PARTIES. WHILE CRITICS SAID IT NOT ENOUGH, THERE LITTLE DOUBT THAT EXPERIMENT HAS SUBSTANCE AND THAT ASSEMBLY COULD BECOME VIABLE POLITICAL INSTITUTION. AS LONG AS SADAT MAINTAINS HIS DOMINANT POSITION, HOWEVER, ASSEMBLY IS UNLIKELY TO HAVE MAJOR IMPACT ON FOREIGN POLICY OR CRUCIAL DOMESTIC ISSUES. ON ECONOMIC FRONT, NEW MINISTERS IN CHARGE OF ECONOMIC AFFAIRS ARE DEFINITE IMPROVEMENT, BUT GOE STILL FACES DILEMMA OF BALANCING OFF NEEDED ECONOMIC REFORMS SUCH AS REDUCTIONS OF FOOD SUBSIDIES WITH ADVERSE POLITICAL CONSEQUENCES THAT ARE CERTAIN TO RESULT. AT ADVENT OF NEW YEAR, SADAT'S LEADERSHIP REMAINS STRONG, BUT HIS MAJOR POLITICAL VULNERABILITIES CONTINUE TO BE (A) LONG-STALLED ME PEACE PROCESS AND (B) TOTTERING ECONOMY. UNLESS GOE CAN BEGIN TO MAKE MEANINGFUL PROGRESS IN 1977 ON ONE OR BOTH, SADAT'S PUBLIC POPULARITY AND SUPPORT WILL INEVITABLY ERODE. END SUMMARY.

1. I. FOREIGN AFFAIRS

2. A. US-EGYPTIAN RELATIONS. ADVENT OF QUARTER SAW KEEN EGYPTIAN INTEREST IN UPCOMING AMERICAN PRESIDENTIAL ELECTIONS COUPLED WITH CONCURRENT WORRY ABOUT WHAT WAS CONSTRUED AS PRO-ISRAEL RHETORIC BY BOTH CANDIDATES. INITIAL EGYPTIAN DISAPPOINTMENT AT ELECTION OUTCOME PROMPTED PRIMARILY BY CONCERN THAT GOE WOULD NOW HAVE TO START FROM SCRATCH IN WORKING WITH A NEW ADMINISTRATION TO REVITALIZE LONG DELAYED ME PEACE PROCESS. NEVERTHELESS, GOE MAINTAINED STRICTLY CORRECT POSTURE, HAILING PRESIDENT-ELECT CARTER AS "ETHICAL AND PRINCIPLED" AND AFFIRMING READINESS WORK WITH HIM. TOP EGYPTIAN LEADERSHIP SCRUTINIZED ALL STATEMENTS MADE BY THE PRESIDENT-ELECT AND HIS ASSOCIATES, WHICH MIGHT OFFER ANY CLUE TO THE NEW ADMINISTRATION'S ME POLICY VIEWS. VANCE DESIGNATION GREETED WITH SATISFACTION. ALTHOUGH FEW SENIOR EGYPTIANS KNOW SECRETARY-
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DESIGNATE, HE ENJOYS REPUTATION FOR FAIRNESS.

3. CONFRONTED WITH THE NEW SITUATION IN WAKE US ELECTION, GOE LAUNCHED A MASSIVE AND CAREFULLY ORCHESTRATED PEACE OFFENSIVE. UTILIZING VISITS IN NOVEMBER OF SIX IMPORTANT CODEL'S SADAT AND HIS PRICIPAL ASSOCIATES EMPHASIZED (A) SINCERITY OF GOE'S DESIRE FOR PEACE AND (B) TIME IS RIPE TO NEGOTIATE A COMPREHENSIVE SETTLEMENT AT GENEVA WITH THE PLO AS A PARTICIPANT. THEIR CLEAR PURPOSE WAS TO SIGNAL TO NEW ADMINISTRATION URGENCY OF REGAINING LOST ME PEACE MOMENTUM BY EARLY RECONVENING OF GENEVA. AT FONMIN LEVEL, THE PEACE OFFENSIVE WAS CARRIED TO UNGA IN FORM OF AN EGYPTIAN RESOLUTION CALLING, INTER ALIA, FOR RECONVENING OF GENEVA BY LATE MARCH, THOUGH PRIVATELY TOP EGYPTIAN LEADERSHIP AFFAIRMED DATE COULD SLIP BY A FEW MONTHS. OUR VOTE AGAINST WHAT GOE SAW AS MILD RESOLUTION, IN FACE OF OVERWHELMING UNGA APPROVAL, AROUSED GOE IRE AND CHARGE THAT OUR SINAI II COMMITMENTS TO ISRAEL HAVE TIED USG HANDS, IF POSITIVE VOTE WAS NOT POSSIBLE, GOE ARGUED, USG COULD HAVE ABSTANINED. STING OF NEGATIVE VOTE WAS SOMEWHAT ASSUAGED BY EARLIER USG ASSOCIATION WITH UNSC CONSENSUS STATEMENT CRITICIZING ISRAELI SETTLEMENTS POLICY.

4. IN ENSUING WEEKS, EGYPTIAN LEADERSHIP USED SERIES OF INTERVIEWS WITH PROMINENT NEWSMEN, MANY OF THEM AMERICANS, TO HAMMER HOME ITS PEACE THEME. ISRAELI CABINET CRISIS AND LIKELY MOVING UP OF ISRAELI ELECTIONS, WHILE UNDERSTOOD HERE, HAVE ADDED TO EGYPTIAN FRUSTRATIONS AND ARE PUBLICLY BEING CAST AS PLOY TO DELAY PEACE PROCESS. EGYPTIANS ARE IMPATIENTLY AWAITING ADVENT OF NEW ADMINISTRATION, AND WE MAY EXPECT INTENSIFIED PRESSURES FOR EARLY RESUMPTION OF ME PEACE PROCESS.

5. ANNOUNCEMENT OF NEW SOPHISTICATED U.S. AIRCRAFT AND BOMBS FOR ISRAEL DURING ELECTION CAMPAIGN DISQUIETED GOE, PROMPTING MINDEF GAMASY TO PREPARE REVISED ESTIMATE OF LIKELY FUTURE EGYPTIAN/ISRAELI COMPARATIVE MILITARY CAPABILITIES ALONG
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WITH RECOMMENDATIONS AS TO WHAT EGYPTIANS MUST DO TO COUNTER ANTICIPATED ARMS IMBALANCE. EGYPTIAN MILITARY'S PRESSURE ON SADAT TO NORMALIZE RELATIONS WITH SOVIETS, NOT FOR IDEOLOGICAL REASONS BUT IN HOPE OF GETTING RESUMED DELIVERIES OF SPARE PARTS AND ARMS, MAY BE EXPECTED TO INTENSIFY. EGYPTIANS BELIEVE SUCH INCREASED MILITARY AID WILL PRODUCE LESS RATHER THAN MORE ISRAELI FLEXIBILITY IN PEACE NEGOTIATIONS.

6. ON SOMEWHAT LESSER LEVEL, STILL UNRESOLVED AMOCO DRILLING ISSUE IN EASTERN GULF OF SUEZ ADDED TO EGYPTIAN FRUSTRATION. GOE PROFESSES TO SEE IT AS WEATHERVANE OF USG ABILITY AND WILLINGNESS RESOLVE MATTERS WHERE OUR RESPECTIVE LEGAL VIEWS ARE SIMILAR AND A DIRECT AMERICAN INTEREST IS INVOLVED. GOE PROFESSES INCOMPREHENSION THAT USG, WHILE PROVIDING SUBSTANTIAL ECONOMIC AND MILITARY AID TO ISRAEL, SHOULD BE UNABLE TO PERSUADE ISRAEL TO ADOPT A MORE POSITIVE ATTITUDE WHERE A DIRECT AMERICAN INTEREST IS INVOLVED.

7. MOST SIGNIFICANT BILATERAL AGREEMENT OF QUARTER WAS ONE MILLION TON PL 480 WHEAT/WHEAT FLOUR DEAL FOR FY 77. VARIOUS OTHER AID ACTIVITIES RECEIVED WIDE PUBLICITY. SUCCESS OF TUTUNKHAMON EXHIBIT IN WASHINGTON HIGHLY GRATIFYING TO EGYPTIANS. IT HAS GIVEN THEM SENSE THAT THEY TOO ARE CONTRIBUTING TO THE NEW RELATIONSHIP BETWEEN THE TWO COUNTRIES.

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8. I.B. EGYPTIAN-SOVIET RELATIONS.OCTOBER 1 TASS STATEMENT
PROPOSING MEPC BE RECONVENED IN OCTOBER OR NOVEMBER WAS
DISMISSED BY FAHMY PRIVATELY AS "JUST ANOTHER SOVIET PLOY."
EVEN AT THAT ITME, HOWEVER,FAHMY AND OTHERS WERE CONTINUING TO
URGE SADAT TO DO MORE TO PATCH UP RELATIONS WITH MOSCOW ON
GROUNDS THAT GRATUITOUS BAITING OF THE SOVIETS COUNTERPRODUCTIVE
AND "CORRECT" BILATERAL RELATIONSHIP COULD RESULT IN MILITARY
DELIVERIES, MORE ADVANTAGEOUS ECONOMIC RELATIONSHIP, AND
BEFITTED LEADER OF NONALIGNED WORLD.

9. FAHMY'S MUCH-RUMORED MEETING WITH GROMYKO FINALLY CAME OFF
IN SOFIA NOVEMBER 2. IN SADAT'S WORDS, THE RESULT WAS CLEAR
FROM THE COMMUNIQUE: "EACH SIDE EXPRESSED ITS VIEWS."
FAHMY ASSURED US THAT SOVIETS HAD INITIATED NOTION OF MEETING,
THOUGH THE GOE OPPOSITE VERSION FROM SOVIET EMBASSY. WHATEVER
ITS GENESIS, MEETING WAS NOT, FAHMY ASSURED AMBASSADOR, INTENDED
TO DETRACT IN ANY WAY FROM JOINT US-GOE APPROACH TO PEACE

PROCESS, BUT EGYPT DOES NOT WISH ENTER AN MEPC CO-CHAIRER BY AN UNNECESSARILY HOSTILE SOVIET DELEGATION. BY SAME TOKEN, GOE DID IN EARLY DECEMBER FOR FIRST TIME (TO OUR KNOWLEDGE) SEEK SOVIET "VISUALIZATION" OF WHAT FINAL SETTLEMENT MIGHT LOOK LIKE. SOVIETS ARE, ACCORDING TO AMBASSADOR POLYAKOV, AVOIDING A RESPONSE. SOVIETS ARE APPARENTLY DRIVING A HARD BARGAIN AS PRICE FOR "NORMALIZATION" AND DEMANDING GOE ACCEPTANCE OF CERTAIN "PRINCIPLES", E.G., CESSATION OF ANTI-SOVIET PROPAGANDA AND "MUTUALLY ADVANTAGEOUS" ECONOMIC RELATIONS (I.E., DEBT REPAYMENT) BEFORE EVEN DISCUSSING RESUMPTION OF SIGNIFICANT DELIVERIES OF MILITARY SPARE PARTS AND EQUIPMENT. WE EXPECT GOE TO CONTINUE EFFORT TO "NORMALIZE" RELATIONS, PERHAPS THROUGH SECOND GROMYKO-FAHMY MEETING. SADAT-BREZHNEV MEETING UNLIKELY UNTIL AGREEMENT REACHED ON BASIS OF NEW RELATIONSHIP. ARRIVAL OF SOVIET DEL TO NEGOTIATE 1977 TRADE PROTOCOL PUT OFF FROM DECEMBER TO JANUARY.

10. C. EGYPT-ARAB AFFAIRS. MOST PORTENTIOUS INTER-ARAB DEVELOPMENTS OF QUARTER WERE EGYPTIAN- SYRIAN RAPPROACHMENT
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AND CONSEQUENT LEBANESE "SETTLEMENT." EGYPTIANS PREDICTABLY CLAIM THE CREDIT, BUT RAPPROCHMENT IN FACT BORE RIYADH IMPRIMATUR. AFTER SEVERAL ABORTIVE ATTEMPTS, SAUDIS (ASSISTED BY KUWAITIS) WERE ABLE BRING SADAT AND ASAD TOGETHER TO BURY THE HATCHET IN CLASSIC ARAB STYLE: ASAD UNDERTOOK FOREGO FUTURE ATTACKS ON SINAI II AND ACCEPT SADAT'S PREEMINENT POSITION IN SEARCH FOR COMPREHENSIVE SETTLEMENT; AND SADAT ACQUIESCED IN SYRIAN HEGEMONY OVER LEBANON CLOAKED IN GUISE OF ARAB DETERRENT FORCE. CAIRO FULL SUMMIT ENDORSED RIYADH DECISIONS AND EGYPTIAN LEADERSHIP TOOK SOLACE IN FACT THAT ASAD HAD ACCEPTED SADAT FORMULA OF SIX PARTICIPANTS AT RIYADH INCLUDING SARKIS ARAFAT. REALITY OF SITUATION APPEARS SOMEWHAT DIFFERENT; GOE POLICY TOWARD LEBANON HAD BECOME UNCHARACTERISTICALLY SHORT-SIGHTED ("STOP SYRIA") AND UNREALISTIC (LACK OF RESOURCES IN LEBANON). GOE ATTEMPTS TO GIVE SUBSTANCE TO THIS POLICY (E.G., FAHMY'S URGENT TRIP TO PARIS) WERE SUBJECT TO RIDICULE BOTH INSIDE AND OUTSIDE EGYPT. THAT SADAT AND FAHMY WERE ABLE TO EXTRICATE THEMSELVES IN MANNER THAT RESTORED SOLIDARITY OF CONFRONTATION STATES AND RESULTED IN BIG PRESTIGE BOOST FOR SADAT ATTESTS AS MUCH TO THEIR LUCK AS STATESMANSHIP.

11. EGYPTIANS BELIEVE REAL LOSER WAS ARAFAT, WHO RETURNED TO BEIRUT WITH NOTHING: NO CONTINGENT IN ADF, NO ASSURANCES ON SOUTH LEBANON, NO HOPE THAT HE COULD AVOID ENDORSEMENT FOR WEST BANK/GAZA STATE AND AWARE THAT HIS LEADERSHIP HAD COME TO BE QUESTIONED BY SOME ARAB HEADS OF STATE AND EVEN BY PALESTINIANS. ASAD'S MID-DECEMBER VISIT TO EGYPT CONFIRMED SARG'S PUBLIC ENDORSEMENT OF EGYPTIAN "PEACE OFFENSIVE" AND LAID GROUNDWORK FOR CLOSE POLICY COORDINATION IN FUTURE.

TALK OF UNION VERY DEFINITELY PREMATURE. RESIDUAL SUSPICIONS AND DISAGREEMENTS OVER TACTICS ALMOST CERTAINLY REMAIN, ESPECIALLY ON HOW TO MANIPULATE PALESTINIANS SO THAT THEY CAN CONTRIBUTE CONSTRUCTIVELY TO GETTING MEPC UNDERWAY. MISGIVINGS PERSIST THAT SYRIANS HAVE NOT ESCHEWED IDEA OF UNSEATING ARAFAT AND REPLACING HIM AS PLO HEAD BY A PRO-SYRIAN TRIUMVIRATE. GOE ALSO SLIGHTLY UNEASY THAT LATEST SADAT/ASAD
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SUMMIT MAY BE INTERPRETED BY SYRIANS AS GIVING THEM A BLANK CHECK ON HANDLING LEBANESE QUESTIONS.

12. EGYPTIAN-LIBYAN TENSIONS ABATED, AT LEAST TEMPORARILY DURING PAST THREE MONTHS. ACCORDING TO EGYPTIANS, A PROFUSION OF ARAB (ARAFAT AMONG THEM) AND AFRICAN VISITORS HAS CONVEYED QADHAFI'S ALLEDGED DESIRE IMPROVE RELATIONS. LIBYAN PARTICIPATION IN CAIRO SUMMIT WAS MORE NOMINAL THAN REAL, WITH EXPATRIATE FOREIGN MINISTER AL-HUNI ACTING AS HIS COUNTRY'S DELEGATE. THERE IS NO EVIDENCE THAT SADAT HAS CHANGED HIS MIND ABOUT DANGER QADHAFI POSES, AND IN FACT CONVICTION PROBABLY STRENGTHENED BY QADHAFI DECEMBER VISIT TO MOSCOW. WHILE ALLOWING HIS SUBORDINATES RECEIVE VARIOUS QADHAFI OVERTURES, SADAT'S RESPONSE HAS THUS FAR BEEN TEPID. WOULD-BE INTERMEDIARIES HAVE BEEN ADVISED THAT PRICE OF EGYPTIAN-LIBYAN RAPPROACHMENT MUST BE FIRM GUARANTEE THAT QADHAFI'S WINGS ARE CLIPPED. HOWEVER, FOR THE MOMENT AT LEAST, ANY PLANS FOR IMMINENT MILITARY ACTION AGAINST LIBYA HAVE BEEN SUSPENDED.

13. D. EGYPTIAN-EUROPEAN RELATIONS. FRANCE CONTINUED TO POLISH IMAGE AS EGYPT'S BEST EUROPEAN FRIEND. PRIMIN BARRE RECEIVED ROYAL TREATMENT IN CAIRO IN NOVEMBER AND PRESS PRODUCED INFLATED STORIES ABOUT LEVEL OF EXPECTED FRENCH ARMS SALES AND AID PROJECTS. IN DECEMBER, TWO AID PROTOCOLS WERE SIGNED VALUED AT TOTAL OF 540 MILLION FRENCH FRANCS FOR 1977. FAHMY'S SUDDEN DECISION SEEK FRENCH HELP FOR FLAGGING EGYPTIAN DIPLOMATIC EFFORTS IN LEBANON LED HIM TO PARIS SEP. 30, BUT HIS EFFORTS RAN INTO FRENCH RELUCTANCE, SOVIET DOUBTS, SAUDI IRE, SYRIAN SILENCE AND LEBANESE CHRISTIAN CONDEMNATION.

14. EGYPTIANS CONTINUE THEIR ARMS SALES TALKS WITH UK AND FRANCE. SAUDI ARABIAN MONETARY WILL PAY MORE THAN LS 68 MILLION FOR PARTS AND EQUIPMENT FROM BRITAIN. UK EMBASSY ESTIMATE CONTRACTS WITH FRANCE FOR AIRCRAFT-MISSILE LAUNCHERS, MISSILE, AND OTHER MATERIEL TOTAL ABOUT LS 250 MILLION.

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15. AS PART OF "PEACE OFFENSIVE" PRESIDENT SADAT CALLED PUBLICLY IN LATE DECEMBER FOR EUROPEANS TO TAKE GREATER ROLE IN SEARCH FOR ME PEACE SETTLEMENTS INCLUDING PROVIDING OF "SPECIFIC IDEAS" FOR SETTLING INDIVIDUAL ISSUES. ACCORDING TO OUR EUROPEAN COLLEAGUES, NO OFFICIAL REQUEST ALONG THESE LINES HAVE BEEN RECEIVED.

16. PART II. INTERNAL

17. FAR REACHING POLITICAL DEVELOPMENTS CRAMMED THE QUARTER AND PROMISED TO PUSH SADAT'S AVOWED LIBERALIZATION POLICY TO NEW LENGTHS. UNIQUE FOR EGYPT, YET TRUE TO SADAT'S PUBLIC PROMISE, GOE ADOPTED POLICY OF STRICT NON-INVOLVEMENT IN OCTOBER 28 NOVEMBER 4 PEOPLE'S ASSEMBLY (PA) ELECTIONS. CAMPAINGNING WAS VIGOROUS AS EGYPTIANS SEIZED OPPOURTUNITY PARTICIPATE IN FIRST FREE ELECTION IN DECADES. EXPERIENCE WAS A HEADY ONE WITH SOME VIOLENCE MARRING PROVINCIAL BALLOTING, INCLUDING IN SADAT'S HOME VILLAGE. ON WHOLE, HOWEVER, ELECTORAL PROCESS WAS ORDERLY AND FAIR, WHICH EVEN LEFTISTS GRUDGINGLY CONCEDE. AMONG THOSE ELECTED WERE 240 FIRST TERMERS, OR TWO-THIRDS OF TOTAL PA MEMBERSHIP. CENTER "ORGANIZATION" WON HANDILY WITH 280 SEATS (OVER 80 PERCENT), GIVING GOVERNMENT UNDISPUTED MAJORITY SO LONG AS ITS PA MEMBERS HEW TO PARTY LINE. LEFTIST "ORGANIZATION", DESPITE OPPONENTS' PRE-ELECTION CONCERN ABOUT ITS FORCEFUL, WELL-ORGANIZED AND SEEMINGLY WELL FINANCED CAMPAIGN, WON ONLY TWO SEATS. DESCLAIMING ANY EXPECTATION OF SIGNIFICANT SUCCESSES ON THIS OCCASION, ITS LEADERS OPENLY ADMIT THEY ARE LAYING GROUND WORK FOR FUTURE ELECTIONS. RIGHT "ORGANIZATION", SO CLOSE TO CENTER IN MANY OF ITS POLICIES AS TO BE ALMOST INDISTINGUISHABLE, GARNERED MERE TWELVE SEATS.

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18. PRIME MINISTER MAMDUH SALEM WAS CHARGED BY SADAT WITH FORMING NEW CABINET ON NOVEMBER 6 AND INSTRUCTED TO FURTHER THE DEMOCRATIZATION PROCESS AND PROMOTE ECONOMIC REFORM AND THE OPEN DOOR. NEW CABINET SWORN IN NOVEMBER 10. AT INAUGURAL SESSION OF NEW ASSEMBLY NOVEMBER 11 SADAT MADE DRAMATIC ANNOUNCEMENT: THE THREE RECENTLY CONSTITUTED ASU POLITICAL "ORGANIZATIONS" WHICH COMPETED IN THE ELECTIONS WOULD HENCEFORTH FUNCTION AS FULL-FLEDGED POLITICAL PARTIES (CAIRO 15663). THE FIRST SUCH INSTITUTIONS SINCE 1952, THE FLEDGLING PARTIES RELECT CONCEPTUAL SPECTRUM OF LEGITIMIZED LEFT (AS OPPOSED TO COVERT COMMUNIST PARTY), CENTER AND SECULAR RIGHT. (A MORE ACCURATE REFLECTION OF PREVAILING POLITICAL SPECTRUM WOULD HAVE BEEN COMMUNISTS/MARXISTS, SOCIALISTS AND RELIGIOUS RIGHT.) CENTER, USING ARAB SOCIALIST ORGANIZATION (ASO) LABEL, HEADED BY PRINMIN, WAS TAGGED GOVERNMENT PARTY; LEFT, ADOPTING DESIGNATION OF NATIONAL PROGRESSIVE UNIONIST PARTY HAS FORMER RCC MEMBER AND LONG-TIME MARXIST, KHALID MUHI AL-DIN, AS CHIEF; RIGHT, WHICH MISLEADINGLY DUBBED ITSELF SOCIALIST LIBERAL PARTY, IS LED BY MUSTAFA KAMAL MURAD, A LONG-TIME CONSERVATIVE POLITICAL MAVERICK. AS RANKING RECOGNIZED PARTY, IT WAS DESIGNATED "OFFICIAL OPPOSTION." MURAD, ITS LEADER, IS SEEKING

ORGANIZE "SHADOW" CABINET IN ORDER TO CHALLENGE GOVERNMENT POLICIES ACROSS THE BOARD, BUT IS HAMSTRUNG BY HAVING ONLY 22 MEMBERS IN ASSEMBLY. (TEN "INDEPENDENTS" JOINED PARTY AFTER ELECTIONS). SELF-STYLED NASSERISTS, DENIED RIGHT FORM THEIR OWN POLITICAL PARTY ("WE ARE ALL NASSERISTS," SADAT ONCE TOLD PA) AND UNABLE REACH MUTUALLY ACCEPTABLE ACCOMMODATION WITH LEFT, RAN MAINLY AS INDEPENDENTS.

19. REAL OPPOSITION LIKELY COME FROM BLOC OF REMAINING THIRTY "INDEPENDENTS," LOOSELY ORGANIZED UNDER OUT-SPOKEN ERSTWHILE NASSER CRITIC, HILMI MURAD. LATTER'S "PLATFORM" WILL EMPHASIZE NEED SWEEP AWAY CORRUPTION IN HIGH PLACES AND DEMOCRATIZE POLITICAL LIFE FURTHER BY AMENDING CONSTITUTION, FORMER ASU STATUTES AND PA'S RULES OF PROCEDURE. JUDGING FROM EARLY SESSIONS, NEW PA MEMBERS ARE SPEAKING THEIR MINDS.
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VIGOROUS, IF SOMETIMES FLAILING, CHALLENGES HAVE CHARACTERIZED DEBATES. GOVERNMENT, WHILE SUCCESSFUL IN WINNING ENDORSEMENT FOR ITS GENERAL POLICY STATEMENT, HAS BEEN SERVED NOTICE IT WILL BE SHARPLY INTERPOLATED ON ITS PLANS TO DEAL WITH SUCH CRITICAL SOURCES OF PUBLIC DISCONTENT AS INFLATION, HOUSING SHORTAGES AND TRANSPORTATION SQUEEZE.

20. DESPITE NEW LEVELNESS, ASSEMBLY IS UNLIKELY TO HAVE DETERMINING VOICE IN FOREIGN POLICY MATTERS OR CRUCIAL DOMESTIC ISSUES. NEVERTHELESS, IT COULD EMERGE AS KEY POLITICAL INSTITUTION IF SADAT WERE TO DISAPPEAR OR HAVE HIS POSITION SERIOUSLY UNDERMINED. SADAT'S "INTELLECTUAL" CRITICS DOWNGRADE NEW PARTIES CLAIMING THAT SINCE THEY WERE IMPOSED FROM THE TOP RATHER THAN EMERGING FROM BOTTOM, THEY WILL NOT BE VIABLE.

21. POST-ELECTION CABINET WAS LARGELY A RESHUFFLE, BUT ADDED ONE DISTINCTIVE FEATURE. TOP GOE ECONOMIC MANAGEMENT, WHICH HAD BEEN WOEFULLY INADEQUATE, WAS VISIBLY STRENGTHENED BY INCLUSION OF NEW DEPUTY PRIME MINISTER TO SUPERVISE ECONOMIC MINISTRIES. ACTION PROMPTED BY BELATED RECOGNITION, AS RESULT USG, IMF, SAUDI AND OTHER URGINGS, THAT CONFIDENCE IN GOE'S ECONOMIC MANAGEMENT MUST BE RESTORED IF THERE IS TO BE ANY HOPE OF OBTAINING ESSENTIAL FOREIGN ASSISTANCE. DESIGNEE FOR NEW POSITION WAS ABDUL MUN'IM AL-KAISOUNI, TO WHOM PRIMIN HAS APPARENTLY DEFERRED TO IN "ECONOMIC CZAR" ROLE. KAISOUNI, WHILE HIMSELF CONTROVERSIAL FOR HIS ROLE IN KEEPING NASSER REGIME AFLOAT THROUGH DEFICIT FINANCING, IS RECOGNIZED AS COMPETENT ECONOMIST AND INTERNATIONALLY KNOWN BANKER. SUPPORT BY HAND-PICKED NEW ECONOMIC AND FINANCE MINISTERS, HE HAS REVITALIZED CABINET ECONOMIC COMMITTEE (WHICH INCLUDES HOLDOVER MINISTERS OF PLANNING AND SUPPLY/COMMERCE) AND IMMEDIATELY UNDERTOOK SEARCHING RE-EXAMINATION OF '77 BUDGET PREPARED BY PREVIOUS MINFINANCE IN AN EFFORT SHARPLY PARE PROJECTED DEFICIT.

CONCURRENTLY, NEGOTIATIONS WERE RESUMED WITH IMF ON IMPLEMENTATION OF NEEDED ECONOMIC REFORMS AND REDUCTION OF GOVERNMENT EXPENDITURES. PRESIDENT HAS PUBLICLY ENDORSED GOVERNMENT
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BELT-TIGHTENING BY ORDERING SUBSTANTIAL REDUCTION IN PRESIDENCY BUDGET AS EXAMPLE TO VARIOUS MINISTRIES. NEVERTHELESS, STRONG CABINET OPPOSITION PERSISTS TO ANY MEASURES DESIGNED SHARPLY CUT IMPORTS OR REMOVE SUBSIDIES WHOSE EFFECT WILL BE FURTHER RISE IN COST OF LIVING. THIS LIKELY BE EVEN MORE TRUE IN PA, AND KAISOUNI'S GROUP WILL HAVE HARD ROW TO HOE.

22. GOE, FROM SADAT DOWN, IS TORN BY THE RECOGNITION OF NEED FOR FAR-REACHING ECONOMIC REFORMS, ON ONE HAND, AND NAGGING FEAR OF ADVERSE POLITICAL CONSEQUENCES FLOWING FROM ANY MEASURES THAT MIGHT SOMEHOW CAUSE BASIC COMMODITY SHORTAGES OR FURTHER ESCALATED PRICES. EGYPTIAN GOVERNMENTS HAVE TRADITIONALLY COUNTED ON STOIC PATIENCE OF PUBLIC TO BEAR NEW BURDENS, BUT NO ONE CAN BE SURE EXTENT TO WHICH GROWING URBANIZATION HAS AFFECTED TOLERANCE QUOTIENT. MOREOVER, GOE IS MINDFUL THAT COST OF LIVING RISES ALSO AFFECT MILITARY AND WILL ADD TO EXISTING RESTIVENESS IN THIS ALL-IMPORTANT SECTOR. THUS, GOE, WITH SADAT'S APPROVAL, LIKELY OPT FOR GRADUALIST APPROACH TO RESOLVE ITS ECONOMIC DILEMMA, CAREFULLY TESTING PUBLIC REACTION TO EACH STEP. AT ADVENT OF NEW YEAR, SADAT'S LEADERSHIP REMAINS STRONG, BUT HIS MAJOR POLITICAL VULNERABILITIES CONTINUE TO BE (A) LONG-STALLED ME PEACE PROCESS AND (B) TOTTERING ECONOMY. UNLESS GOE CAN BEGIN TO MAKE MEANINGFUL PROGRESS IN 1977 ON ONE OR BOTH, SADAT'S PUBLIC POPULARITY AND SUPPORT WILL INEVITABLY ERODE.
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Message Attributes

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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO00071
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770002-0369
Format: TEL
From: CAIRO
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Image Path:
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Legacy Key: link1977/newtext/t19770186/aaaacwzt.tel
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
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Retention: 0
Review Action: RELEASED, APPROVED
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3674689
Secure: OPEN
Status: NATIVE
Subject: QUARTERLY POLITICAL ASSESSMENT: OCTOBER 1 - DECEMBER 31, 1976
TAGS: PINT, PFOR, PINR, EG
To: STATE
Type: TE
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Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009